

## Message Text

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ACTION EA-09

INFO OCT-01 IO-11 ISO-00 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /119 W

----- 077828

R 290223Z JAN 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 795

INFO AMEMBASSY CANBERRA

USDELMTN GENEVA

AMCONSUL SYDNEY

UNCLAS WELLINGTON 0322

E.O. 11652: N/A

TAGS: ETRD, EFIN, EGEN, NZ

SUBJECT: GNZ IMPOSES IMPORT DEPOSIT SCHEME

SYDNEY PASS TRADE CENTER

REF WELLINGTON 0158, USMISSION GENEVA 0574

1. ON JANUARY 26 PRIME MINISTER MULDOON ANNOUNCED THE INTRODUCTION OF AN IMPORT DEPOSIT SCHEME TO BE APPLIED TO SELECTED IMPORTS. IT WILL GO INTO EFFECT FEBRUARY 2. THE DEPOSIT OF ONE-THIRD OF THE VALUE OF THE IMPORTED ITEM FOR CUSTOMS PURPOSES (CDV VALUE) WILL BE REQUIRED TO BE DEPOSITED ON CLEARANCE OF THE ITEM THROUGH CUSTOMS. THE DEPOSIT IS TO BE HELD BY THE RESERVE BANK FOR SIX MONTHS THEN REFUNDED WITHOUT INTEREST.

2. THE FOLLOWING ITEMS ARE TO BE COVERED BY THE SCHEME:

WINES AND SPIRITS

SENSITISED PHOTOGRAPHIC PAPER, PHOTOGRAPHIC

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PLASTE AND FILM (EXCLUDING THOSE FOR X-RAY)

DOMESTIC TABLEWARE, STATUETTES AND OTHER  
ORNAMENTS MADE FROM CERAMIC MATERIALS  
DRINKING GLASSES AND OTHER DOMESTIC GLASSWARE  
PEARLS, PRECIOUS AND SEMI PRECIOUS STONES;  
PRECIOUS METALS AND ARTICLES OF JEWELLERY  
MARINE OUTBOARD MOTORS  
EXCAVATING AND OTHER EARTHMOVING MACHINERY  
TYPEWRITERS, CALCULATING MACHINS, COMPUTERS,  
OFFICE MACHINES AND PARTS AND ACCESSORIES  
FOR USE WITH THOSE MACHINES  
PHOTOGRAPHIC CAMERAS, PHOTOCOPYING AND  
THERMOCOPYING APPARATUS  
CLOCKS, WATCHES AND PARTS  
ANTIQUES  
LIFTING, HANDLING, LOADING OR UNLOADING  
MACHINERY  
DOMESTIC SEWING MACHINES  
TRACTORS

3. TRADING BANKS WILL BE INSTRUCTED TO ENSURE THAT  
ADDITIONAL LENDING IS NOT PROVIDED TO FINANCE THE DEPOSITS.  
THIS WILL HAVE THE EFFECT OF LIMITED IMPORTS OF THE ABOVE  
ITEMS AS FUNDS WILL NEED TO COME FROM INTERNAL  
OPERATING CAPITAL OF THE IMPORTER OR SOME OTHER ARRANGED SOURCE.  
THE COST OF FINANCING THE DEPOSIT WILL NOT BE RECOVERABLE FOR THE  
PURPOSES OF PRICE CONTROL (E.E. THE DEPOSIT FINANCING COST  
CANNOT BE ADDED TO THE SELLING PRICE).

4. THE MINISTER OF CUSTOMS WILL OPERATE THE SCHEME. IT  
WILL CONTINUE FOR ONE YEAR AND WILL BE KEPT UNDER REVIEW  
IN THE LIGHT OF THE NEED FOR IMPORT RESTRAINT. ACCORDING  
TO THE PRIME MINISTER'S ANNOUNCEMENT THE GOVERNMENT  
"WILL NOT HESITATE TO EXTEND THE SCHEME IF EVIDENCE OF  
SPECULATIVE ORDERING OR EXCESSIVE IMPORTING OF OTHER  
GOODS BECOMES APPARENT".

5. THOUGH THE EXTENSION OF IMPORT LICENSING WAS  
CONSIDERED, ACCORDING TO THE PRIME MINISTER, BECAUSE OF THE  
GENERAL DECLINE IN IMPORT VOLUMES, WIDER DIRECT IMPORT  
CONTROLS COULD NOT BE EFFECTIVE WITHOUT HARMING EMPLOYMENT.  
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ALSO, SUCH DIRECT IMPORT CONTROLS WOULD PROBABLY REWARD  
THOSE IMPORTERS WHO HAVE OVER ORDERED IN ANTICIPATION OF  
LICENSING.

6. ABOUT 7 PER CENT OF NZ'S TOTAL IMPORTS WILL BE  
AFFECTED. THE DEPOSIT OF ONE-THIRD THE VALUE OF THE ITEMS  
SO AFFECTED WILL HAVE AN ANCILLIARY EFFECT OF TAKING MONEY  
OUT OF CIRCULATION. LIQUIDITY WILL TIGHTEN.

7. MORE DETAILS OF THE OPERATION OF THE DEPOSIT SCHEME ARE TO BE ISSUED SHORTLY IN A FURTHER STATEMENT BY THE MINISTER OF CUSTOMS. IT IS UNDERSTOOD THAT THE MINISTER'S STATEMENT WILL SPELL OUT EXEMPTIONS FOR IMPORTATIONS OF SMALL VALUE, DIPLOMATIC IMPORTS, PASSENGERS BAGGAGE AND EFFECTS, ETC.

8. ON THE BASIS OF THE PRIME MINISTER'S ANNOUNCEMENT, IT WOULD APPEAR THAT GOODS INCLUDED IN THE ITEMIZED LIST IN PARA 2 ABOVE WHICH ARE ORDERED AND/OR RECEIVED BEFORE FEBRUARY 2, BUT NOT TAKEN OUT OF CUSTOMS BEFORE THAT DATE WOULD BE SUBJECT TO THE ONE-THIRD DEPOSIT REGULATION. THIS COULD MEAN THAT A NUMBER OF FIRMS WITHOUT EXTRA READY CASH MIGHT NOT BE ABLE TO CLEAR THE GOODS THROUGH CUSTOMS. STORAGE CHARGES COULD START TO MOUNT AND EVEN CONCEIVABLY SOME GOODS MIGHT HAVE TO BE RETURNED TO THE SELLER OR ABANDONED BECAUSE OF LACK OF FUNDS FOR THE DEPOSIT. THOUGH THIS WOULD LIKELY BE EXCEPTIONAL, SUCH CASES MIGHT DEVELOP, ESPECIALLY ON EXPENSIVE ITEMS WHERE FREIGHT CHARGES REPRESENT A RELATIVELY SMALLER PART OF TOTAL COST.

9. THE GENERAL REACTION AMONG A FEW IMPORTERS CONSULTED TO DATE IS THAT SMALLER FIRMS WITHOUT THE NEEDED OPERATING RESERVES AND/OR THOSE IMPORTING EXPENSIVE ITEMS MAY BE FORCED TO RESTRICT IMPORTS.

10. THE EMBASSY IS INFORMALLY CANVASSING SELECTED FIRMS PARTICIPATING IN AM TECH-76 TO ASCERTAIN HOW THEY FEEL THE DEPOSIT SCHEME MIGHT AFFECT THE IMPORT PICTURE FOR THE ITEMS THEY WILL BE EXHIBITING IN AM-TECH-76. THE RESPONSE SO FAR HAS BEEN VARIED. SOME FIRMS SEE THE TYING UP OF THE LARGE SUMS INVOLVED AS A SIGNIFICANT  
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IMPEDIMENT TO CONTINUED IMPORTS OF THEIR LINES. OTHERS ARE NOT ESPECIALLY WORRIED. EMBASSY WILL REPORT IN MORE DETAIL ON THE RESULTS OF THIS SURVEY SEPARATELY WHEN MORE FIRMS HAVE REPLIED.  
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